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OUR TRADE WITH SOUTH AMERICA AND CHINA ¹

WILLIAM R. SHEPHERD

Professor of History, Columbia University

AS I listened to the papers this afternoon and noted the topic for discussion, I couldn't help feeling that after all the paramount interest of an economic character with us seems to be, not so much the development of the American merchant marine as the development of American foreign trade.

It has often been asked why the United States no longer commands the position on the ocean that it had in the fifties of the last century. Of this circumstance various explanations have been offered. At the time of the construction of iron ships our own iron industries were not sufficiently advanced to enable us to build ships in anything like satisfactory competition with certain of the nations of Europe. Furthermore, it has been pointed out that the American rate of wages and the conditions under which the American sailors wish to live are of such a nature as to render it impossible for us satisfactorily to compete again with European shipping activities, unless some sort of aid is received from the government.

Democracies are regularly suspicious about the giving out of public funds for a particular interest. We know the strong disinclination that has been manifested in the halls of Congress to grant a shipping subsidy. Attention has been called on many occasions to the fact that, as our population has moved westward, it has lost correspondingly its interest on the seas. It has been ascertained, further, that if we have any capital to invest, it had better be placed where it will bring surer and easier returns than would be the case were we to put that money into ships. Better is it, therefore, cry those who favor this policy, to have our goods carried under foreign flags and

¹ Discussion at the meeting of the Academy of Political Science, November 12, 1915.

to devote whatever financial energies and abilities we possess rather to the development of industries at home.

In the world today there are just two great fallow areas that apparently call for exploitation. Whether the people who inhabit them are altogether pleased at the thought of being exploited for the benefit of the foreigner is quite another matter. I am afraid that, in questions of business, it isn't always possible to consult the wishes of those who are actually on the soil. The world at large has progressed to its present material position mainly through the utilization of regions held by people who were unable of themselves to develop their resources. Unconsciously, perhaps, we are following the dictum laid down by the founder of Christianity himself when he left to posterity the story of the man and the talents. The two areas to which I refer are South America and China. In the one respect of possessing immense natural resources which have not been developed in any commensurate degree, they are quite alike. In many other respects they are very different.

Concerning the relationship of the United States to these areas, it must be borne in mind that we have established in the New World a species of hegemony or headship or political tutelage, or anything else you want to call it, over the sister republics of this country. Its expression we term the "Monroe Doctrine." In point of fact, what we have done is to assert the primacy of this nation over its twenty fellows.

The situation of China is quite dissimilar. Here you have, not an instance of one foreign state holding others in a condition of quasi-tutelage, but a number of foreign states endeavoring to assure their control and to ascertain what parts of it must be shared. Up to the outbreak of the war there were several European nations working for the alleged welfare of China. Perhaps they were so concerned. My own feeling, however, is that they were interested very much more in their own welfare, and that the advantage of China itself was a more or less negligible quantity. It would seem that the only country that did possess a sincere interest in Chinese progress was the United States. It was our land that first developed educational and intellectual relations with the Chinese. In-

deed, it seemed a harbinger of the closest friendship when the thirty young Chinese students came to us in 1871. From that day onward it would appear that the Chinese have looked rather to the United States than to Europe or to Japan for guidance and suggestion and help.

But whereas the history of the United States in connection with the South American countries has been one of constantly growing influence, the record of the Americans in China since 1905 at least has been one of constantly diminishing prestige. The Chinese is a canny person. He knows perfectly well why the European powers and Japan profess to be so much concerned in his welfare, and why the United States showed so much interest. He appreciated the fact, that however much we sought commercial opportunities, we were not there for the purpose of partitioning his territory or of sharing it with others, that our real designs were of a friendly and altruistic sort. Within the last ten years, and notably since the beginning of the war, there has been arising in Asia a condition analogous to that which prevails in the New World. Another kind of headship is being established, a new "Monroe Doctrine" is being formulated, and it isn't the United States that is about to make that "pronunciamento" effective. It is the nation which lies nearest to China, and which, in the nature of things, seems best equipped to exercise a predominant influence over that country.

Up to the outbreak of the war it looked as if China were to suffer the fate of partition into areas of concession. The first effective halt that was called to the process was made by Japan. The United States, meanwhile, had been endeavoring to obtain, as we have heard today, from the European powers and from Japan an assurance that henceforth all of the foreign nations concerned in the development of the Chinese Empire, and later Republic, should agree to recognize an equality of commercial rights and privileges — that is to say, an equality of opportunity. But it is a significant fact that, for the last ten years, the assurances which have been received by the United States on this point have not brought with them anything like a commensurate development of American influence, financial, commercial or otherwise.

It must not be forgotten that in the Far East, and in a large measure among our South American neighbors also, politics, trade and finance go together. If we wish to be powerful in foreign trade, we must be prepared to assume the manifold responsibilities it entails. Unless we are so inclined, we must endure effacement.

Ever since the war began the attitude of our men of business appears to resemble that of the ostrich with its head in the sand. Our commercial interests, to be sure, have been profiting immensely by the titanic conflict across the seas. For the moment the body of the ostrich has been growing fat, but its head still remains covered. The day will come when the struggles will cease, and the ostrich will have to raise its head and look about it, but it had better start doing so before the conflict is over.

While in the Far East some years ago I had an opportunity to watch the way in which the combination of politics, finance and trade was working. I could perceive then how difficult it was going to be for the United States to compete advantageously with rivals long experienced in the arts of such a combination. Just now the country employing them most profitably is Japan, and none can hope to vie with her unless the other country is ready to utilize much the same methods. How difficult our particular problem is finds evidence in the many respects that show the especial fitness of the Japanese to deal with the Chinese. They are essentially of the same race stock, their languages are similar enough for the Japanese to learn Chinese quite readily, and their customs are much alike. The Japanese, accordingly, are singularly adaptable to Chinese conditions. More than that, the Japanese possess a technical knowledge of commercial mercantile transactions in the world at large which the Chinese do not have.

If you will add to all this the circumstance that the Japanese receive from their government an amount of support and encouragement which enable them to utilize their natural-born traits of patience, endurance and intelligence, and their bent for ubiquity, for seeking trade opportunities everywhere, it places a mighty obstacle in our way to overcome. The Japa-

nese government, directly or indirectly, aids the Japanese, not only in Manchuria, but in China at large, by subsidy, by special privileges at the custom-house, by reduction in railway charges, and by reduction in steamship rates. When you consider, furthermore, that all of this is done under a political régime that is admirably organized for the purpose of pushing the endeavors of its nationals to the fullest possible extent; and when you remember that we are organized in just the opposite sense, that among us individual effort is the sort most prized and that the union of individuals under efficient governmental direction is something to which we have not yet attained, you can readily perceive again that our pathway to the gaining of trade in the Far East is not an easy one. What I have said of the Far East, I venture to think, will eventually be true to a large extent of South America as well.

One of the speakers, Mr. Straight, brought out the remarkable statement that whoever wins the present war, the outcome will be that of German organization. Rather than call it "German organization," I should use the term "socialized efficiency." You have two mighty principles that are contending for the mastery in the world today. One is that of "individual liberty," the other of "socialized efficiency." They are struggling, not only on the battlefield, but in the marts of trade, at least in a potential sense. Accordingly, it remains for us who hitherto have been exponents primarily of the principle of individual liberty, and of democracy, to decide whether we can so organize our democracy as to produce a union or a reconciliation of an inherited individual liberty with an acquired socialized efficiency, such as that which is exhibited by Japan in dealing with the Chinese problem, and such as that which is displayed by Germany in the war. It isn't a question of army and navy. It is a matter of what lies behind and under these apparent forces. It is a question of establishing that stage of human achievement which is reached by an effective application of the best results of activity in all branches of knowledge to the welfare of the individual and the state.